

**Joint Legislative Review
Committee on
Transportation between
Sonora, Mexico and
Arizona**

Annual Report

December 2, 2002

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Arizona Legislature

Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona



Annual Report December 2, 2002

Committee Members:

Senator Linda Aguirre, Co-Chair
Senator Herb Guenther
Senator Dean Martin
George Bays
Carol Colombo
Robert R. Hathaway
Margie Emmerman

Representative Dean Cooley, Co-Chair
Representative James Carruthers
Representative Carmine Cardamone
Dale Buskirk
Dennis Garrett
Russell Jones
Lt. Gov. Richard Narcia, Gila River Indian
Community

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JOINT LEGISLATIVE REVIEW COMMITTEE ON TRANSPORTATION BETWEEN SONORA, MEXICO AND ARIZONA

Annual Report

In 1996, the Legislature codified the Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona and established the safety enforcement and transportation infrastructure fund (SETIF) to ensure the safety of commercial vehicles entering Arizona as a result of the North American Free Trade Agreement (NAFTA). SETIF consists of motor carrier and permit fees collected at ports of entry on the border between Arizona and Mexico. Subject to legislative appropriation, SETIF monies may only be made only for:

1. Enforcement of vehicle safety requirements within 25 miles of the border between Arizona and Mexico.
2. Maintenance of transportation facilities and upgrades of transportation facilities, including roads, streets, and highways within 25 miles of the Arizona-Mexico border.
3. Maintenance and construction of transportation facilities in the CANAMEX high priority corridor as defined in § 332 of the National Highway System Designation Act of 1995.

The Committee membership consists of two members of the Senate, two members of the House of Representatives, the chairpersons of the House and Senate committees that consider transportation issues, the Director of the Department of Commerce or designee, the Director of the Department of Public Safety or designee, one member who represents the Department of Transportation (ADOT), one member who represents the Motor Vehicle Division (MVD) of ADOT, three public members and one member who represents an Arizona Indian tribe with a reservation located within or adjacent to the CANAMEX corridor.

The Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona met on December 2, 2002 to review the status of the SETIF and make formal recommendations to the Legislature regarding the future use of the fund. Pursuant to Arizona Revised Statutes § 41-1292.03, the Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona recommends the Legislature make the following appropriations to ADOT pursuant to A.R.S. § 28-6547:

1. \$300,000 in fiscal year 2002-2003 for a comprehensive scoping and engineering planning study for the new Cyber Port at Nogales to determine the site of the new Mexico truck expressway in Nogales, Sonora.
2. \$250,000 in FY 2003-2004 for unforeseen contingencies at Nogales and the new Douglas Strategic Weigh-Inspection Station.
3. \$250,000 in FY 2003-2004 for a new City of Douglas Chino Road alternate truck route for trans-border truck traffic between Douglas and Agua Prieta, Mexico.

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- 4. \$200,000 in FY 2003-2004 to build a new connector road to link the new San Luis Port of Entry with the existing county highway, which travels north to I-8.**

The above appropriations are listed in order of priority for funding and subject to the availability of monies in the SETIF.

ADOT shall not disburse partial funds for any appropriated item listed above. The director shall disburse monies in the fund upon determination that sufficient monies are available in the fund to cover the entire appropriation for an item prior to disbursing funds for the item ranked next in priority.

If the State or any entity is wholly or partially reimbursed for any of the above items, the State or other entity receiving reimbursement shall remit the monies to the SETIF.

The Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona made the following additional recommendations:

- 5. The Legislature should reauthorize the Arizona International Development Authority (AIDA), work with the Arizona Department of Commerce to create a more effective entity charged with achieving streamlined border ports of entry, and appropriate funding for administrative costs to achieve this purpose.**
- 6. The Legislature should reauthorize the Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona and amend the SETIF fund eligibility criteria to include Arizona's other international ports of entry in the CANAMEX designation.**

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APPENDIX A

**JOINT LEGISLATIVE REVIEW COMMITTEE ON TRANSPORTATION BETWEEN
SONORA, MEXICO AND ARIZONA ENABLING LEGISLATION**

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41-1292.03. Joint legislative review committee on transportation between Sonora, Mexico and Arizona

(Rp1d. 1/1/04)

A. The joint legislative review committee on transportation between Sonora, Mexico and Arizona is established. The committee consists of:

1. Two members of the senate who are appointed by the president of the senate, one from each political party.

2. Two members of the house of representatives who are appointed by the speaker of the house of representatives, one from each political party.

3. The chairperson of the committee in the house of representatives that considers transportation issues who serves as cochairperson.

4. The chairperson of the committee in the senate that considers transportation issues who serves as cochairperson.

5. The director of the department of commerce or the director's designee.

6. The director of the department of public safety or the director's designee.

7. One member who represents the department of transportation, who has expertise in transportation and who is appointed by the director of the department of transportation.

8. One member who represents the motor vehicle division of the department of transportation, who has expertise in transportation and who is appointed by the assistant director of the motor vehicle division of the department of transportation.

9. Three members of the public, one of whom has expertise in transportation, who are appointed by the governor.

10. One member who represents a federally recognized Arizona Indian tribe with a reservation located within or adjacent to the canamex high priority corridor as defined in section 332 of the national highway system designation act of 1995 (P.L. 104-59; 109 Stat. 596-597), who has expertise in transportation and who is appointed by the governor.

B. The committee shall:

1. Coordinate efforts of the committee as reasonably practicable with a like committee established by Sonora, Mexico.

2. Study issues and problems concerning transportation between Sonora, Mexico and this state, including the following:

(a) The need to modify and improve border crossing procedures and facilities.

(b) The advantages and disadvantages of issuing temporary travel permits to Mexican commercial vehicles entering this state.

(c) The commercial impact of a deep sea port in Guaymas, Mexico.

(d) The potential impact of transporting hazardous materials between Sonora, Mexico and this state.

(e) The current and any anticipated changes in the type and volume of traffic on highways that carry commercial vehicles to the border between Sonora, Mexico and this state.

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(f) Environmental and safety problems caused by the type and volume of traffic on highways that carry commercial vehicles to the border between Sonora, Mexico and this state.

(g) Potential financing of any highway construction or planning, or both, that may be recommended by the committee.

(h) The impact of foreign commercial vehicles on the transportation infrastructure of this state.

(i) The balance between revenues collected at ports of entry on the border between Sonora, Mexico and this state and the costs associated with maintaining the transportation infrastructure within twenty-five miles of the border between Sonora, Mexico and this state.

3. Annually make recommendations to the legislature regarding appropriations made pursuant to section 28-6547.

4. Make recommendations to the legislature that will help alleviate the current environmental, transportation infrastructure and safety problems caused by the type and volume of traffic on highways that carry commercial vehicles to the border between Sonora, Mexico and this state and transportation problems experienced by businesses located on both sides of the border between Sonora, Mexico and this state, that will improve road, air and rail transportation between Sonora, Mexico and this state and regarding highway construction and planning of highways that carry commercial vehicles to the border between Sonora, Mexico and this state.

5. Submit a report with its recommendations on or before December 1 of each year to the president of the senate, the speaker of the house of representatives, the governor, the chairman of the state transportation board and the committee established by Sonora, Mexico.

C. The members of the committee who are appointed pursuant to subsection A, paragraphs 9 and 10 serve two year terms.

D. The members of the committee are not eligible to receive compensation, but the members who are appointed pursuant to subsection A, paragraphs 9 and 10 are eligible to receive reimbursement for expenses pursuant to title 38, chapter 4, article 2.

E. An Arizona Mexico commission in the governor's office shall facilitate the meetings of the committee. The committee shall use the services of the Arizona Mexico commission, legislative staff and the staff of the department of transportation.

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APPENDIX B

**SAFETY ENFORCEMENT AND TRANSPORTATION INFRASTRUCTURE FUND
(SETIF) STATUTE**

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28-6547. Safety enforcement and transportation infrastructure fund: exemption from lapsing

A. The safety enforcement and transportation infrastructure fund is established. The fund consists of monies deposited pursuant to sections 28-2321, 28-2324, 28-2325, 28-5739, 28-5874 and 28-5875. The department shall administer the fund.

B. Subject to legislative appropriation, monies in the fund shall be spent on the following:

1. Enforcement of vehicle safety requirements by the department of public safety and the department of transportation within twenty-five miles of the border between Arizona and Mexico.

2. Maintenance of transportation facilities and upgrades of transportation facilities, including roads, streets and highways, approved by the board within twenty-five miles of the border between Arizona and Mexico.

3. As approved by the board, maintenance and construction of transportation facilities in the CANAMEX high priority corridor as defined in section 332 of the national highway system designation act of 1995 (P.L. 104-59; 109 Stat. 596-597).

C. On notice from the department, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

D. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

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APPENDIX C

MEETING NOTICE AND MINUTES OF PROCEEDINGS

ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice

Open to the Public

Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona

DATE: Monday, December 2, 2002

TIME: 10:00 AM

PLACE: House Hearing Room 5

AGENDA

1. Introduction and opening comments
2. Overview of Committee responsibilities and the Safety Enforcement and Transportation Infrastructure Fund (SETIF) – John Halikowski
3. Discussion on potential unified Port Authority legislation – Carol Sanger
4. Discussion and adoption of recommendations
5. Public Testimony
6. Adjourn

MEMBERS:

Senator Linda Aguirre, Co-Chair
Senator Herb Guenther
Senator Dean Martin
Mr. George Bays, MVD
Ms. Carol Colombo, Member
Mr. Robert R. Hathaway, Member
Ms. Margie Emmerman, Director
Dept. of Commerce

Representative Dean Cooley, Co-Chair
Representative James Carruthers
Representative Carmine Cardamone
Mr. Dale Buskirk, ADOT
Mr. Dennis Garrett, DPS
Mr. Russell Jones, Member
Lt. Gov. Richard Narcia, Gila River
Indian Community

sas
11/20/2002

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ARIZONA STATE LEGISLATURE
Forty-fifth Legislature -- Second Regular Session

**JOINT LEGISLATIVE REVIEW COMMITTEE ON
TRANSPORTATION BETWEEN SONORA, MEXICO AND ARIZONA**

Minutes of Meeting
Monday, December 2, 2002
House Hearing Room 5 -- 10:00 a.m.

(Tape 1, Side A)

Chairman Cooley called the meeting to order at 10:02 a.m. and attendance was noted by the secretary.

Members Present

Senator Guenther
George Bays
Dale Buskirk
Carol Colombo
Dennis Garrett

Representative Cooley, Cochair
Robert Hathaway
Russell Jones
Margie Emmerman

Members Absent

Senator Aguirre
Senator Martin
Lt. Governor Richard Narcia

Representative Carruthers
Representative Cardamone

Speakers Present

Sean Laux, Senate Research Analyst, Transportation Committee
John Halikowski, House Majority Research Analyst, Transportation Committee
Carol Sanger, formerly with the Arizona Department of Commerce

Introduction and Opening Comments

At the request of Chairman Cooley, the Members introduced themselves. Chairman Cooley conveyed that the intent of the meeting is to review the responsibilities of the Committee, noting that a meeting has not been held for two years. He pointed out that the Committee sunsets in 2003, so additional legislation will be necessary for an extension. He added that he recently visited the Nogales Port of Entry for the first time with Mr. Bays, and he was impressed with the work that is going on.

Presentations

Overview of Committee Responsibilities and the Safety Enforcement and Transportation Infrastructure Fund (SETIF)

Sean Laux, Senate Research Analyst, Transportation Committee, related that in 1996 the Legislature codified the Committee and established the SETIF to insure the safety of commercial vehicles entering Arizona as a result of the North American Free Trade Agreement (NAFTA). The fund consists of motor carrier and permit fees collected at ports of entry on the border between Arizona and Mexico. Subject to legislative appropriation, SETIF monies may only be used for enforcement of vehicle safety requirements, maintenance, and upgrades of transportation facilities, including roads, streets and highways within 25 miles of the border, and maintenance and construction of transportation facilities in the CANAMEX High Priority Corridor as defined in Section 332 of the National Highway System Designation Act of 1995. The Committee has the responsibility of making recommendations to the Legislature on future appropriations of the SETIF. He related to Chairman Cooley that he believes SETIF monies have historically only been used on the U.S. side of the border.

John Halikowski, House Majority Research Analyst, Transportation Committee, provided a spreadsheet regarding the SETIF (Attachment 1). He explained that a few years ago, the Joint Legislative Budget Committee (JLBC) recommended retaining a contingency of \$400,000 to \$500,000 for emergencies. He reviewed the handout and responded to questions posed by the Members.

Mr. Cooley asked the status of projects approved in H.B. 2151, supplemental appropriations; transportation capital projects (Laws of 2002, Chapter 187), recalling that there was the possibility of a shortage of funds to complete the projects within a reasonable period of time. Mr. Halikowski answered that H.B. 2151 specified that the Arizona Department of Transportation (ADOT) cannot disperse any funds until January 1, 2003 because most of the revenue is received near the end of the year during the produce season when border crossings increase. The projects are listed in the bill in order of priority and ADOT will disburse the funds based upon availability.

Mr. Halikowski advised Chairman Cooley that ADOT district engineers would be responsible for engineering in cooperation with local people. Mr. Buskirk clarified that with most of the projects, the recipient is a local entity such as a city or port authority. ADOT has the fiduciary responsibility in all of the projects, but is not the primary responsible agency.

Mr. Halikowski indicated that proposed projects for 2004 are attached to the spreadsheet (Attachment 1) and funds are needed in the following amounts:

Douglas Chino Road	\$300,000
New San Luis Port of Entry	No cost available
Nogales Scoping and Engineering Planning Study	\$300,000
Douglas Strategic Weigh-Inspection Station	\$300,000

Mr. Bays pointed out that the Douglas Chino Road project is currently underway, but is underfunded for different reasons. Also, the Douglas Strategic Weigh-Inspection Station was partially funded by the federal government through a grant, but because of transportation infrastructure needs, the project is underfunded by about \$300,000 or more. The two projects are very important because the President authorized opening of the border to long-haul Mexican commercial vehicles. A border efficiency plan is being developed for an overload border processing installation to offset the heavy truck and passenger vehicle traffic currently going through Nogales. Douglas is strategically in a very good position so ADOT would like to continue investing in the future of the Douglas projects.

Mr. Buskirk clarified that the nine projects were prioritized from a technical perspective, and those on the second page of the spreadsheet were in the lower tier; however, there have been some changes in the border area that probably would result in a higher priority for the Nogales Scoping and Engineering Planning Study for the Cyber Port. The feasibility analysis for Phase I of the study should be completed in January or February 2003, and given the preliminary findings, there will be a recommendation to move on to the second phase.

Mr. Cooley questioned how the projects will be funded. He expressed concern that \$1 million at the end of 2004 is not allocated, and therefore, could be taken by the Legislature to balance the budget leaving the projects unfunded. Mr. Buskirk related that Phase II of the Nogales Cyber Port Study is currently unfunded, but lobbying attempts are underway to incorporate the Nogales Cyber Port projects in the reauthorization bill for transportation. There is also a possibility that a small amount may be found from other sources. He added that if SETIF funds are available, that would be a high priority use.

Mr. Cooley asked if the projects are eligible for funds from the State Highway Fund. Mr. Buskirk replied that the projects are probably eligible in conjunction with other funding sources since there will be a physical component involved. There is a technological component and a policy component, and some will involve the state and some will not. Some will be within the purview of federal inspection agencies, such as U.S. Customs, the Immigration and Naturalization Service (INS), and the U.S. Department of Agriculture, so it depends which aspect of the multifaceted Nogales Cyber Port Study is under consideration.

Ms. Colombo remarked that Cyber Port is not only a transportation initiative. There are economic development and logistics questions attached, as well as trade logistics from the point of origin to the point of destination. The many different components are probably something ADOT struggles with in respect to funding. Regarding Mr. Halikowski's comment about retaining funding for emergencies, she asked if efforts fail to obtain funding for Cyber Port at the federal level, there would be a possibility of accessing SETIF monies in 2003 for Cyber Port as emergency funding.

Mr. Halikowski replied that given the amount of the carry forward, it is possible, but a bill and appropriation would be necessary during the next session; however, the bottom line at the end of 2004 would be decreased. He added that JLBC recommended retaining the emergency funds, but it is up to the Legislature whether or not to agree with the recommendation.

Mr. Jones asked what would stop the Legislature from using the emergency funds elsewhere. He related that during a plenary session about a week ago, the border mayors provided lists of new projects relating to border infrastructure, law enforcement, and security issues, as well as impacts by unfunded federal mandates. He anticipated that the mayors will want SETIF funds for other projects, especially since the Committee last met before September 11, 2001.

Mr. Buskirk related to Chairman Cooley that the first phase of the Cyber Port study, which is underway, involves gathering information and assessing the feasibility of the concept and should be completed by February 2003. With that study, there are a number of recommendations to move forward, some involving changes to the physical infrastructure at the port and adjacent areas and some dealing with changes in policies and procedures, etc. The next phase of the project involves the design, addressing issues resulting from implementation of certain technologies, and changes to the physical infrastructure at the border or somewhere along the trade flow process. He recalled that the recommendation for the Nogales Cyber Port was made by the CANAMEX Task Force, which perceives Nogales as the U.S. gateway to the CANAMEX Corridor. The Task Force asked ADOT to conduct the study, which is a follow up from an earlier study by ADOT called the Arizona Port Efficiency Study.

Mr. Halikowski acknowledged that projected revenues for 2003 of \$3.5 million were from the previous year. Chairman Cooley noted that the same figure is projected for 2004. He said he thought traffic would increase across the border, thus increasing revenue from the truckers. Mr. Bays responded that the increase in truck traffic at Nogales specifically over a five-year period has been about five percent per year, so with full implementation of the NAFTA long-haul truck access, there will be minimal impact on Nogales, which was the major border crossing in the beginning. He anticipated a "look and see" attitude on the part of the Mexican business sector and an increase in truck traffic, based on prior empirical experience, of at least five percent per year.

Chairman Cooley asked how opening the border at other locations besides Nogales projects into the revenue picture since enforcement people are stationed at other locations. Mr. Bays responded that Mexican trucks with certificates of operating authority issued by the Federal Motor Carrier Safety Administration for long-haul enterprise could cross the border at any of the six land border crossings, but there is one caveat. No international trade vehicle may cross the border unless a motor carrier enforcement officer is present at that particular port, which is a mandate from Congress; therefore, there could be a gradual increase of commercial transporter truck traffic from Mexico. A recommendation was also made to utilize some of the lesser ports like San Luis and Douglas to take some of the traffic load away from Nogales.

Chairman Cooley commented that the Committee should develop a plan to utilize the revenue since he was on the Appropriations Committee and knows how the Members view funds that are not being used.

Mr. Bays stated that he recently read in the newspaper about a legislator mentioning that a good way to increase revenue into the state's coffers is to hire experts who write grant applications. He noted that U.S. Senate Bill 2522 dated May 9, 2002 establishes the Southwest Regional Border Authority and makes millions of dollars in federal funds available for application by interested entities. In addition, U.S. Senate Bill 884 dated May 15, 2001 is intended to improve

port of entry infrastructure along the southwest border of the U.S., establish grants to improve port of entry facilities, designate a port of entry as a port technology demonstration site, and other purposes.

Chairman Cooley asked if the state works with different border entities to submit applications for grants. Mr. Bays responded that the CANAMEX Transportation Subcommittee acted as a clearinghouse on grant applications representing the Chief Executive/state. When Chairman Cooley asked if the Arizona Department of Commerce (DOC) was involved, Ms. Emmerman replied that DOC has not been, but recommended that persons involved in the past in the aggressive effort of the Transportation Equity Act for the 21st Century (TEA-21) meet and develop a plan. Discussion followed, during which Ms. Colombo advised that the CANAMEX Task Force sunsets on January 1, 2003.

Mr. Jones noted that much of the SETIF funds are earmarked for Motor Vehicle Department (MVD) and Department of Public Safety (DPS) personnel on the southern border. In light of NAFTA going forward and federal staff stationed at the ports of entry for safety and other reasons, he wonders if some of the work is duplicated, and therefore, it may not be necessary to have as many MVD or DPS personnel so those funds could be allocated for other uses. Mr. Bays responded that although there is some overlap, MVD personnel have the specific mission of issuing permits, checking entry documents, and collecting fees, whereas Motor Carrier Safety Administration personnel are strictly involved in motor carrier safety and issuance of qualifying certificates to eligible applicants from Mexico to engage in long-haul endeavors. In addition, particularly at Nogales, according to U.S. Customs, the number of hours the border is open to facilitate the transporter entry of Mexican commercial vehicles into the state may be expanded in the future. He said he believes the current number of personnel is appropriate. Due to attrition and being "pirated" by federal agencies who let the state train personnel and then take employees from the state, there is still much turnover, training and equipment costs, etc.

He added that DPS is also an augmentation group to assist with motor carrier safety inspections. Because of the coordinated effort between the federal and state agencies, the U.S. Inspector General's office conducted a preliminary assessment of the four border states' crossings, and in a report to Congress recommended honoring NAFTA and allowing trucks to enter the U.S. Personnel complements are probably okay at the present time, but could be expanded in the future.

Ms. Colombo asked if it is possible to apply for federal funds to cover personnel costs.

(Tape 1, Side B would not record – See Tape 2, Side A)

Mr. Bays responded that previous legislation involving federal grants did not include personnel, only infrastructure and items of that nature, but there might be other monies forthcoming or in the hopper because of the NAFTA implementation provisions. He added that the Motor Carrier Safety Administration is providing a subsidy for a two-year period.

Mr. Halikowski pointed out that the Auditor General will conduct a sunset review of the MVD in 2004, and perhaps ports, facilities, and staffing could be reviewed.

Discussion on Potential Unified Port Authority Legislation

Carol Sanger, formerly with Arizona Department of Commerce, provided a brief overview of the Arizona International Development Authority (AIDA) (Attachment 2). She related that meetings were held diligently for approximately two-and-a-half years until 1997 and operating procedures, etc., were developed. The challenges the Authority faced were twofold. First, the Legislature did not appropriate any funds for establishment or administration, which meant the DOC was legally precluded from even typing up an agenda or calling and organizing meetings. That was changed in a subsequent amendment, but it was very difficult to compensate people for mileage, etc., even at a basic level. Secondly, in 1995, the Mexicans devalued the peso, there was a fairly significant recession, and investment interests in the border area waned and were diverted into other uses. Following that, under former Governor Fife Symington, the Greater Arizona Development Authority (GADA) was developed, which finances public infrastructure, and with a \$20 million appropriation from the Legislature, became very successful. The major difference between AIDA and GADA is that AIDA can finance public and private infrastructure and pool projects from the border region only.

She stated that she understands AIDA is of interest to the Committee in light of Cyber Port and organizing activities of enforcement and administrative entities at the border, as well as developing the infrastructure to support Cyber Port or the new San Luis Port of Entry. She surmised that portions of the statute relating to AIDA could support one or both of those projects, but should be reviewed line by line.

Mr. Jones stated that AIDA could accept or apply for grants in the border region since it is a state authority, but since no funding whatsoever was provided for a grantwriter or administration, nothing could be done. Funding available through AIDA is through revenue bonds. He added that Arizona has no statute for port authorities. San Luis created a nonprofit corporation called the Greater Yuma Port Authority, but there is no statute providing any kind of authority beyond that of a private nonprofit joint venture between the municipalities in the region. There has been some discussion about AIDA acting as oversight and conveying authority to more regional entities.

Mr. Hathaway acknowledged that the problem was no money, adding that the idea was that if revenue bonds were issued, a portion of the monies could be allocated to operation and staffing of the AIDA. He asked if SETIF funds are available to staff AIDA now and agreed that the legislation should be reviewed as suggested by Ms. Sanger.

Ms. Sanger related to Chairman Cooley that when GADA was created, the entity could pool projects from around the state, but AIDA was limited to the border region, which meant international port projects, and those were very few and far between in 1995. Projects that are \$5 million and above are needed with a bond issue or that approach is not cost effective.

She related that with the requirement for voter authorization and communities to pledge the state share to revenues as additional security, in addition to having a revenue stream for the particular bond series, GADA has much unused capacity at this time; however, as far as technical assistance money, GADA is very challenged since interest rates declined and some of the staff

were let go or not replaced. She added that technical assistance grants were not given out this year, but probably will be next year.

Ms. Sanger said she is aware that the DOC has been asked over the years if there is a reason to continue AIDA. The question is difficult to answer because the organization's existence is difficult to justify with the present configuration; however, there are some provisions within the statute that with some tweaking could be extremely useful and beneficial, particularly for the southern ports of entry of Arizona.

Chairman Cooley commented that using SETIF funds for administrative costs of AIDA would not leverage monies in applying for grants. He related that a Concept Paper indicates that there is much work to be done and asked if meetings are going on to accomplish One-Stop Operations (Attachment 3).

Mr. Buskirk explained that the federal government authorized a pilot study of unified port management, one on the Canadian-U.S. border and another on the Mexican-U.S. border, and the southern border point chosen was Nogales. The Legislature appropriated funds, which went from the DOC to ADOT, so there was a state component as well. As the study emerged, it became known as the Arizona Port Efficiency Study, and it was obvious early on that the various federal inspection agencies were not as enamored of unified port management as other port stakeholders; however, a fairly effective working relationship was developed to better coordinate responsibilities between state and federal authorities. The next step in the process is the Nogales Cyber Port project, which has a major goal of more efficient and effective integration of the responsibilities of the various state and federal agencies at the port. As ports take on additional security responsibilities, there may be some direction from Homeland Security. In the absence of that, the end result will be unified port management through coordination and interlinking of technologies rather than changes in organizational structure.

Mr. Jones stated that hand in hand with changes in technology is examination of the process, which involves coordination of federal and state agencies under what used to be called unified port management. He surmised that it will occur de facto with Homeland Security, noting that the Cyber Port project is very timely because the federal government will be looking for answers on how to change the process and coordinate what is now under one umbrella agency but used to be under separate departments in agencies within the federal government. He added that Homeland Security legislation contains funding to coordinate state agencies and security efforts, such as MVD, DPS, and the Arizona Department of Agriculture (ADAG).

Chairman Cooley recalled that literature he received on the recent trip to the border stated that no other border state besides Arizona has U.S. Customs and ADOT MVD officers working side by side. Mr. Buskirk explained that a few years ago, Arizona was like all of the other border states in that border operations were totally separate from the federal agencies, including infrastructure and facilities. When the Arizona Port Efficiency Study was conducted, one finding was that it would be beneficial to better coordinate federal and state activities. For example, the purchase of land adjacent to the federal compound doubled the physical size of the compound, so with the Cyber Port idea and One-Stop Operations, trucks can be expedited. Nogales may have somewhat less of the market share now, not because the throughput capacity or inspection

effectiveness has been hampered, but because of lack of funding for major projects in which Arizona has not competed well against California or Texas.

Mr. Halikowski clarified that the concept paper is dated November 2000 and was provided by John Carlson from the Governor's Office.

Ms. Colombo related that the idea of a unified port authority for Arizona agencies stemmed from the former Director of ADOT, Mary Peters, and Mr. Carlson, but after Ms. Peters left ADOT, interest waned. She surmised that Mr. Carlson provided the document because he would like to see progress on the issues and perceives AIDA as an appropriate vehicle.

Ms. Sanger remarked that she also worked on the concept paper a few years ago, which predates conversations now referred to as Cyber Port. She believes Mr. Carlson would like the issue discussed to determine if there is an opportunity to provide the three state agencies with the statutory framework to coordinate activities at the international ports of entry. She noted that some of the steps delineated in the concept paper occurred. For example, several meetings were held with the state and federal safety and enforcement inspection entities. She does not know if a working group compiled a report to functionally define a unified port authority, but that was subsumed in the Cyber Port project. She acknowledged that legislation is needed to allow the agencies to work together in a unified program.

When Mr. Cooley asked where revenue would be derived to pay off bonds, Mr. Jones explained that the revenue bonds would be retired through rent, tolls, or other type of fees, as well as revenues from the projects. For instance, the Yuma Port Authority is considering building the port on a private basis and leasing the facilities back to the federal government. Rent from the leases would retire the bonds and funding would be obtained quicker. That is one of the potential projects AIDA could do because it is a state agency, and therefore, able to arrange the federal-state intergovernmental-type contracts or leases that a privately built, privately funded project would be unlikely to facilitate.

Discussion and Adoption of Recommendations

(Tape 2, Side B)

After a lengthy discussion, the Members agreed on three recommendations.

Senator Guenther moved to introduce a bill to appropriate monies from the SETIF to projects with the following order of priority and amounts:

Comprehensive Scoping and Planning for the Cyber Port at Nogales - \$300,000

Strategic Weigh-Inspection Station at Douglas - \$250,000

Douglas Chino Road Alternate Truck Route for Transborder Traffic Between Douglas and Agua Prieta, Mexico - \$250,000

Connector Road Between the New Port at San Luis and the Existing County Highway - \$200,000

If federal monies are provided for any of these projects, the state monies will revert to SETIF. The motion carried.

JOINT LEGISLATIVE REVIEW COMMITTEE
ON TRANSPORTATION BETWEEN
SONORA, MEXICO AND ARIZONA
December 2, 2002

Mr. Buskirk moved to reauthorize AIDA and make changes to the Authority as recommended by the Arizona Department of Commerce with input from communities that would be using the Authority, and address funding. The motion carried.

Senator Guenther moved, seconded by Ms. Emmerman, to reauthorize the Joint Legislative Review Committee on Transportation between Sonora, Mexico and Arizona.

Discussion followed about the possibility of expanding the definition of CANAMEX in the SETIF legislation (which presently follows the federal definition) to include the two major ports of entry in Yuma and Douglas since the federal designation only goes through the Port of Nogales.

(Tape 3, Side A)

Senator Guenther amended the motion to include amendments to the current SETIF funding statutes. The motion carried.

Chairman Cooley announced that he will not be in the Legislature next session. Representative Gary Pierce will Chair the Transportation Committee in the House and Senator-Elect Linda Binder in the Senate. He indicated that if anyone believes it is necessary to meet early in the session to answer questions on the proposed legislation, he will discuss it with Mr. Pierce. He added that it has been a pleasure working with everyone.

Without objection, the meeting adjourned at 1:05 p.m.

Linda Taylor, Committee Secretary
December 12, 2002

(Original minutes, attachments, and tapes are on file in the Office of the Chief Clerk.)

JLRC on Transportation between Sonora, Mexico and Arizona – Annual Report

APPENDIX D

SETIF REVENUES AND EXPENDITURES

11/21/02

Motor Vehicle Division**Safety Enforcement and Transportation Infrastructure Fund**

	<u>FY 2003</u>	<u>FY 2004</u>
Beginning Balance as of July 1	4,568,928	1,047,268
Plus: Anticipated Revenues - FY 2003 (See Note 1)	3,500,000	3,500,000
Subtotal:	8,068,928	4,547,268
Less:		
MVD Operating Budget	1,810,300	1,810,300
DPS Appropriation	1,122,900	1,122,900
Appropriation to HWY Maintenance	525,700	525,700
Modular Trailer Operating	22,535	0
Nogales construction allocation	2,410,225	0
Subtotal:	5,891,660	3,458,900
	2,177,268	1,088,368
Less: HB 2151 Appropriation (See Note 2)	1,130,000	0
Projected Balance 6/30/03:	1,047,268	1,088,368
Proposed Projects Under Discussion:		
Douglas Chino Road		
New San Luis Port of Entry		
Nogales Scoping and Engineering Planning Study		
Contingencies at Nogales & New Douglas Strategic Weigh-Inspection Station		
Notes:		
¹¹ Approximately 93% of the revenue is received between October and June		
²¹ The \$1,130,000 includes the following projects:		
a) up to \$475,000 for the City of Nogales hazardous material vehicle and supplies;		
b) \$50,000 for Southern border ports admin office annex;		
c) \$300,000 for Greater Yuma port authority / commercial port master plan - San Luis, Arizona;		
d) \$227,000 for Naco highway bypass asphalt overlay; and		
e) \$78,000 for City of Douglas secure parking lot		
SETIF balance - Updated Nov 2002.xls		

APPENDIX E

UNIFORM PORT AUTHORITY CONCEPT PAPER

UNIFIED PORT AUTHORITY

Concept Paper – November 2000

Problem statement:

The challenge before public officials is to effect a higher level of service through the consolidation of multiple work processes in order to achieve time/resources savings for both the customer and the state. Specifically, inspection and certification activities at Arizona's international Ports of Entry (POE) involve three state agencies that share the common goal of protecting the health, safety and well-being of Arizona's citizens – the Departments of Public Safety (DPS), Transportation/Motor Vehicle Division (MVD) and Agriculture (ADA) – as well as several federal agencies (see "Federal Stakeholders" below).

Efficiencies may be achieved by establishing a structure/authority that would preserve the missions of each Agency while collaborating on tasks to provide One-Stop Operations. This idea of a Unified Port Authority presents the opportunity to examine the roles of each agency at the border to order to identify areas in need of greater collaboration. This is necessary not only to produce efficiencies in time and resources, but also to ensure Arizona's POE's that they will be able to sustain the inevitable continued growth, thus having the necessary infrastructure to compete globally in the future.

Traffic volume at Nogales, the 6th busiest POE for cargo into the U.S. from Mexico, grows approximately 9% each year. Their transportation infrastructure, which is already undergoing renovations, will quickly be outdated and requires a *bold long-term solution* in order to be truly efficient and economical (i.e. to prepare for the final phase of NAFTA, which will allow trucks to pass between the U.S. and Mexico). It is essential that the scope of this project, while not limited to Nogales, fits their requirements as cross-border trade and commercial traffic continue to grow.

Furthermore, with the full implementation of NAFTA's trucking provisions bringing more commercial traffic, it is necessary to provide further support to DPS on the border, which currently only has one person present. While this number will most likely grow in time, a collaboration of agency tasks (including coordination with the Mexicans and the federal government) is essential to ensure that ALL border-crossing issues are being addressed, now and in the future, to guarantee the safety of Arizona's citizens.

FACILITY	ADOT/MVD STAFFED	DPS STAFFED	ADA STAFFED
Nogales	16	1	0
Douglas State	3	0	0
Douglas Federal	6	0	0
Naco	1	0	0
Sasabe	1	0	0
Lukeville	1	0	0
San Luis	3	0	0
Southern Scale Crew	4	0	0
Central Scale Crew	5	0	0
TOTAL STAFFED	46	1	0

Information provided by ADOT Motor Vehicle Enforcement Services

The organization of an entity to unify Arizona's port agencies would take different forms depending on the agencies involved and the scope of activities.

UNIFIED PORT AUTHORITY

Concept Paper – November 2000

Assumptions and agreements:

- The Agencies have already entered into Intergovernmental Agreements (IGA) to establish guidelines on operating more efficiently and effectively at the POE's.
- There is a consensus that the *federal government wants to streamline* as well. All three Agencies agree that the major enhancements and efficiencies will come with a consolidation with the federal government, i.e. a federal-state presence on the border.
 - It is believed that Mexico should be brought into the process sooner than later to achieve maximum effectiveness and cooperation.
 - The economic impact of this project must have a significant and positive fiscal benefit in terms of hard dollar costs, human resources, process efficiencies and/or infrastructure capacity.

Questions/challenges:

- The structure of this Unified Port Authority needs to be defined.
- New legislation be required to implement this plan. Alternatively, modifications of existing IGAs and ISAs and the possible development of new ones may be sufficient to accommodate the goals of streamlined state functions.

Next steps:

1. Discuss with federal officials and key stakeholders for feedback (December 1, 2000).
2. Establish a working group consisting of representatives from each agency to develop a project scope, budget, timeline, etc. (January 1, 2001).
3. Identify the resources deployed/redundancies performed by each agency at the POE's.
4. Identify the budget allocations for each agency's border port operations, and how these amounts would change in relation to each agency having equal weight/responsibility.

Federal Stakeholders:

Immigration and Naturalization Service (INS)
Federal Highway Administration (FHWA)
U.S. Department of Transportation (USDOT)
Drug Enforcement Administration (DEA)
U.S. Customs
General Services Administration (GSA)
U.S. Department of Agriculture (USDA)
U.S. Food and Drug Administration (FDA)

State Stakeholders:

AZ Department of Public Safety (DPS)
AZ Dept. of Transportation ADOT/MVD)
AZ Department of Agriculture (ADA)

APPENDIX F

**ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY
OPERATING GUIDELINES AND FAQs**

ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY

OPERATING GUIDELINES

1. Name and Location

The name of the organization is the **Arizona International Development Authority "Authority"**. It is a corporate body and a political subdivision of the State of Arizona. The principal office of the Authority is:

Arizona International Development Authority
c/o Arizona Department of Commerce
3800 N. Central Ave. Suite 1500
Phoenix, AZ 85012

2. Objectives

The objectives of the Authority are to:

- Facilitate the construction of needed infrastructure projects located within 100 kilometers north and 100 kilometers south of the Arizona-Mexico border, utilizing the most appropriate combination of federal, state and local funding and private capital.
- Finance public and private projects that are consistent with local community, regional and state priorities.
- Finance public and private projects that facilitate development of international trade and commerce.
- Leverage revenue received from projects to establish a source of financing for local infrastructure projects.

3. Definitions (ARS 41-1553)

Acquire: Purchase, lease as lessee, obtain an interest as mortgagee or beneficiary under a deed of trust, operate, build, construct, repair, replace, equip, develop, any property, including site acquisition, preparation and development and all incidental activities.

Agreement: Any agreement, contract, note, mortgage, deed of trust, lease, sublease or other such instrument entered into by the Authority.

Arizona-Sonora Border Area: The geographic area one hundred kilometers north and ten kilometers south of the Arizona-Mexico border line.

Authority: The Arizona International Development Authority

Board: Board of Directors of the Authority

Bonds: Any bonds issued pursuant to ARS 41-1553.

Costs: All costs and expenses incurred in the issuance of bonds including legal, consulting, advertising and travel costs and may also include interest on bonds issued pursuant to this article.

Entity: The United States or any of its agencies or departments, any state or any agency or political subdivision of the state, any Indian tribe, any foreign country or political subdivision of any foreign country, any public or private corporation, company, partnership, joint venture, foundation, trust, estate, individual or other legal business organization.

Federal Agency: Any agency or department of the United States.

Project: Any property and related facilities, whether or not now in existence, acquired to facilitate international trade or commerce between this state and other countries, including property suitable for any of the following purposes;

- international ports of entry or border crossing facilities;
- transportation and shipping facilities including railroad, dock, airport, surface mass transit and intermodal surface transportation facilities;
- facilities for environmental health projects including water treatment or distribution;
- facilities, facilities for the collection, treatment or disposition of wastewater, sewage or solid waste, facilities for the treatment, storage or transportation of contaminants;
- facilities for the abatement of air pollution.

Property: Land and improvements, machinery and equipment of any kind, operating capital and any other real or personal property necessary for a project.

Trustee: any financial institution or trust company actually doing business in Arizona.

4. Operations

The Authority may issue bonds, lend money, guarantee an obligation, operate a facility in connection with a Project as defined above provided that:

- Projects are located within the Arizona-Mexico Border Area.
- Projects are designed to enhance international trade or commerce between Arizona and other countries and be consistent with the definition of "Project" above.
- Projects have the support of local government and are consistent with existing strategic and/or economic development plans for the region in which it will operate.
- Projects meet local, state and federal zoning, environmental and other development standards and regulations that may apply in the jurisdiction in which it will be located.
- Projects are technically feasible.
- Projects benefit from lower-cost funding beyond that obtainable in the private sector to be viable.
- Projects must demonstrate that they are capable of generating sufficient revenue through user fees and other revenues or credit sufficient to cover all associated debt service.

The Authority may participate with a private or public Entity in connection with a Project. For information on the types of financial assistance available, the requirements for project approval, please contact the Arizona Department of Commerce for an applications and instructions.

5. Organization & Management

Board of Directors consists of seven members appointed by the governor pursuant to ARS 38-211. Terms for the initial Board members are established by statute with staggered expiration dates as follows: Jan. 15, 1996; Jan. 20, 1997; Jan. 19, 1998; Jan. 18, 1999; Jan. 17, 2000; Jan. 15, 2001; Jan. 21, 2002.

Qualifications: Members are chosen based on their experience in one or more of these fields: public finance, international banking, international commerce and relations, transportation, infrastructure and related facilities construction, environmental issues and land use planning. At least one member shall be from each of Cochise, Santa Cruz, Pima and Yuma counties. No more than two members shall be selected from the same county. The governor may remove any member of the board for cause. (ARS 41-1553.01)

Terms of office: Initial board members serve for staggered terms specified in the beginning of this section. Initial board members are eligible to succeed themselves for one additional full term. Subsequent board members shall serve for a term of five years and are ineligible to immediately succeed themselves. They may be subsequently reappointed to the board. Vacancies occurring other than by expiration of term shall be filled for the remainder of the unexpired term in the same manner as members are appointed. Vacancies occurring other than by expiration of term shall be

filled for the remainder of the unexpired term in the same manner as members are appointed. (ARS 41-1553.01)

Election of officers: The board shall annually elect from among its members a chairman, a secretary and a treasurer and may also elect such other officers as it deems appropriate. New officers shall be elected by a majority of the Board at the first meeting of the new year. Officers shall serve for one year terms. They may be re-elected. The Board may elect to establish other officer positions as it deems appropriate. (ARS 41-1553.01)

Duties & responsibilities: It is the primary responsibility of the Chairman or Chairwoman to run the Board meetings, appoint a substitute in his or her absence, serve as the liaison between the Authority, the Department of Commerce and the staff. It is the primary responsibility of the Secretary to insure that actions of the meetings are properly recorded, minutes are taken and distributed, adequate public notice is given of the meetings. It is the primary responsibility of the Treasurer to make sure proper accounting procedures are established and followed, the Authority's annual financial statements are prepared as of June 30 each year and distributed as appropriate, an audit is made of the Authority within 120 days of the close of its fiscal year. The Treasurer and staff will prepare a budget each year by May for presentation to the June board meeting. (ARS 41-1553.01)

Termination/Removal of Board member: A majority of the Board may request the resignation of a Board Member for missing more than 40% of the Board's regularly scheduled meetings in any one calendar year. The Board's resolution for dismissal from the Board would be forwarded to the Governor for action. (ARS 41-1553.01)

Compensation: Once funding for expense reimbursement has been established, Board members are entitled to the following reimbursement of out of pocket expenses and compensation when attending Authority Board meetings or other authorized business:

State per diem for meals

State per diem for lodging when appropriate

State mileage reimbursement for travel by car or

The lower of State air mileage reimbursement or reimbursement for the cost of the lowest cost coach air ticket

Per diem compensation for meetings of \$100.00.

Board members will provide evidence of their expenses on forms provided to them for this purpose.

Advisory Board: The Authority Advisory Board shall consist of the Speaker of the House of Representatives, the President of the Senate, the Director of the Department of commerce, the Director of the Department of Transportation, the Director of the Department of Environmental Quality and a Representative designated by the Inter-tribal Council of Arizona. Advisory board members are not eligible to vote and are not members of the board for purposes of determining a quorum. (ARS 41-1553.01)

Committees: The Chairman has the authority to establish committees as necessary. The committees established are:

The *Application & Forms Committee* will develop the AIDA application and establish the project criteria for projects brought to the Board for consideration. The committee will be responsible for developing other forms and applications as the Board may deem necessary to administer future operations. The committee will consist of three (3) board members appointed by the Chairman, and staff.

The *Operating Guidelines Committee* will be responsible for developing Operating Guidelines for the Authority. The committee will consist of two (2) board members appointed by the Chairman, and staff.

The *Application Screening Committee (ASC)* will review applications prior to submission to the full board. The ASC is comprised of the AIDA executive director and three (3) board members chosen by the Chairman for three month terms. The quorum for the ASC is the executive director and two (2) board members. The Chairman may appoint substitute board members to the committee as necessary to insure a quorum. The ASC will review each completed application according to the following checklist:

- Does the project contemplated within the Application conform to AIDA's statutory requirements?

- Is the project as presently configured financeable by AIDA?
- Should AIDA finance the project as it is presented?

The ASC will be convened within 30 days of receipt of a complete application by AIDA staff. Their checklists will become part of the application and accompany the materials forwarded to the entire board prior to the next regularly scheduled board meeting.

Executive Director: The Authority may employ an executive director at the compensation and terms determined by the board and employ or contract for administrative and clerical staff, professional and administrative experts and other staff as necessary to enable the Authority to carry out its purposes. (ARS 41-1553.03)

Duties & responsibilities of the Executive Director and staff shall include:

- Provide administrative support to the Authority for its meetings;
- Liaison with the Advisory Board as necessary;
- Serve as the daily point of contact for applicants, press and general public seeking additional information about the Authority and its activities;
- Be responsible for the physical records of the Authority;
- Conduct official correspondence of the Authority;
- Participate in the formulation of the Authority's policies and programs;
- Assist in the implementation of same.

6. Meetings

Annual Meetings: The Authority will hold monthly meetings during 1995 if necessary. It may decide to hold meetings on a less frequent basis after that. Its annual meeting shall be held in the first quarter of each year, following the appointment of new board member(s). It will also meet in the fourth quarter of each year to approve the financial statement.

Special Meetings: The Chairman may call special meetings as needed.

Notice: Notice for meetings will be given in accordance with the Public Meeting Law. It is staff's responsibility to make sure that meeting notices are posted in the lobby of the Arizona Department of Commerce, the Attorney General's office and for 24 hours in advance of the meeting location.

Voting: Each Board member has one vote.

Quorum: A quorum is four (4) Board members.

Parliamentary procedure: At all meetings of the Board, parliamentary procedure shall be governed by Robert's Rules of Order, except as otherwise agreed by all members present.

7. Dissolution

Per statute. (ARS 41-1553)

8. Amendments

These are guidelines only and as such may be changed at any time with the majority consent of the Board.

9. Liability

Board members are covered by the State of Arizona's directors liability coverage.

ARIZONA INTERNATIONAL DEVELOPMENT AUTHORITY

(Prepared by: Snell & Wilmer, December 9, 1994)

What is the Arizona International Development Authority?

The Arizona International Development Authority (the "Authority" or "AIDA") is an agency and a political subdivision of the State of Arizona that was established by legislation adopted by the Arizona Legislature in 1994. The statutes relating to the Authority are found at Sections 41-1553 et seq., Arizona Revised Statutes.

What are the purposes and powers of the Authority?

AIDA is authorized to engage in activities that will facilitate international trade or commerce between the State of Arizona and other countries, primarily by the development, financing and/or operation of specified types of projects along the Arizona-Mexico border. To accomplish those objectives, AIDA is empowered (i) to enter into contracts, including partnerships and joint venture agreements, (ii) to acquire, operate, sell, lease, or otherwise dispose of projects, (iii) to issue its revenue bonds in order to finance its acquisition and/or operation of projects or to provide funding for the acquisition and/or operation of projects by other governmental or private entities, and (iv) to solicit and accept grants of money, materials or property of any kind.

What types of projects is the Authority empowered to undertake?

The statutes governing AIDA define "project" to mean any land, buildings or other improvements or property of any kind suitable for any of the following types of projects to be located not more than 100 kilometers north of the Arizona-Mexico border: (i) international ports of entry, (ii) international border crossing facilities, (iii) transportation and shipping facilities, including railroads, docks, airports, highway and roadway facilities (except highways under the jurisdiction of the Arizona Department of Transportation), and (iv) environmental health facilities, including facilities for the treatment or distribution of water or the collection, treatment or disposition of wastewater, sewage or solid waste, the treatment, abatement, storage, disposition or transportation of pollutants or contaminants, or the prevention or abatement of air pollution.

How are projects identified and approved?

The statutes require AIDA to establish an application process and related procedures for evaluating any proposed project. It is anticipated that projects will be proposed by governmental entities and by private entities, either alone or in a partnership or joint venture with AIDA. Prior to approval of a project, AIDA must consider whether there are any feasible private sector proposals for the project and, if so, permit the private sector to proceed with the project, possibly with funding provided in whole or in part by AIDA. Before AIDA may undertake a project, it must secure the approval of the governing body of any city or town, or of the Board of Supervisors of the county, in which the project will be located and insure that the project complies with applicable zoning or development standards of the local governmental body having jurisdiction. AIDA will work with a project proposer to develop the project and evaluate its financial feasibility; assuming it is determined to be financially feasible, AIDA may agree to assist with financing some or all of the project costs.

How are projects financed?

AIDA may finance projects by securing loans, grants or guarantees from other governmental agencies or sources, as, for example, from the recently-established North American Development Bank or the Arizona Departments of Commerce or Environmental Quality, or by issuing its revenue bonds and applying the proceeds from the sale of the bonds to finance the project, either directly or indirectly by loaning the money or leasing any acquired real property or facility to a private entity for its use in operating the project. In the case of projects acquired and operated directly by AIDA, the bonds would be repaid from tolls, fees or other charges for use of the project. In the case of a project acquired and/or operated by a private entity, the bonds will be repaid from loan repayments or lease payments made by the private entity pursuant to an agreement with the AIDA. Inasmuch as the Authority has no funds of its own, nor is it contemplated that any money will be appropriated to it by the Arizona Legislature, it is unlikely that financing can be made available for any project which cannot be demonstrated to be financially feasible or otherwise creditworthy.

What kinds of bonds can the Authority issue?

ADA is authorized to issue and sell, publicly or privately, negotiable revenue bonds payable solely out of revenues to be derived from the operation of the project financed with the proceeds of the bonds or from moneys provided by the public or private entity acquiring or operating the project, which could include the Authority. In no case will the bonds represent a debt or liability of the State of Arizona or of AIDA, except to the extent of the source of payment derived from the project or the operator of the project and pledged as security for the bonds. The bonds may be conventional long-term, fixed rate bonds or employ some of the more modern financing techniques, such as variable rates, tender option features, capital appreciation bonds and credit enhancements in the forms of letters of credit or bond insurance, although it is recognized that the availability of a letter of credit or bond insurance to enhance the marketability of a particular series of bonds will depend upon the financial feasibility of the project to be financed with the proceeds of the bonds or the creditworthiness of the proposed operator. AIDA is also authorized to issue bonds to refund its outstanding bonds, principally for the purpose of reducing the interest cost to the project.

Why would someone buy the Authority's bonds?

Purchasers will buy the bonds only if they are satisfied that the project to be financed is financially feasible, or that the operator of the project is creditworthy independent of the project, such that the bonds will be repaid. Almost as important is the fact that, subject to certain conditions, interest paid on the Authority's bonds will be exempt from Federal and State of Arizona income taxes.

Who governs the Authority?

AIDA is governed by a seven-member Board of Directors appointed for five-year terms by the Governor on the basis of their experience in one or more of the fields of public finance, international banking, international commerce, transportation, infrastructure and related construction, environmental facilities and land use planning. There must be at least one (1) member from each of Cochise, Santa Cruz, Pima and Yuma counties, and no more than two (2) from any one county. Board members are not eligible to succeed themselves, but may subsequently be re-appointed.

In addition, the Speaker of the Arizona House of Representatives, the President of the Arizona Senate, the Director of the Arizona Department of Commerce, the Director of the Arizona Department of Transportation, the

Director of the Arizona Department of Environmental Quality and a representative designated by the Inter-tribal Council of Arizona are advisory members of the board; they do not counter for purposes of determining a quorum and are not entitled to vote on matters coming before the board.

The board annually elects, from among its members, a Chairman, a Secretary and a Treasurer, and other officers it deems appropriate. The board is also empowered to hire an Executive Director and staff. Although board members are not eligible to receive compensation in that capacity, they may be reimbursed for any expenses they incur.

What accountability exists relating to the Authority's activities?

Prior to November 1 of each year, AIDA is required to have an audit of its funds performed by a Certified Public Accountant and submit a copy of the audit report to the Auditor General. Prior to December 1 of each year, AIDA is required to report its financial condition and the results of its operations for the year ended on the preceding June 30th.

Other Relevant Information:

Proprietary information submitted in connection with an application for project assistance or financing is not a public record, may be treated as confidential and not released without the express consent of the entity submitting the information.

The Authority is a public body for purposes of the Arizona "open meeting" laws and is a public agency for purposes of the Arizona conflict of interest laws but is exempted from the provisions of the Arizona Procurement Code.